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## **Arizona lawmakers begin retooling budget**

PHOENIX (AP) Citing a warning that the state is on track to run out of cash, legislative budget-writers challenged fellow lawmakers on Tuesday to grit their teeth and cut spending to close a revenue gap.

The budget faces a shortfall of up to \$970 million, largely due to the housing industry's slump and dampened consumer spending.

House and Senate Appropriations committees held their first meetings of the year and began the process of retooling the \$10.6 billion budget for the current fiscal year, which ends June 30.

“If you don't make any changes, we run out of cash a few months before the end of the fiscal year,” State Treasurer Dean Martin, a Republican former legislator, told a joint meeting of the two committees.

The committees' Republican chairmen, both regarded as fiscal hawks, have suggested \$981 million in changes, including \$615.3 million in spending cuts and a \$350 million withdrawal from the rainy day reserve.

The suggested cuts include more than \$110 million from the university system and smaller amounts from dozens of other programs.

Senate Chairman Bob Burns cited Martin's warning and said lawmakers must demonstrate “real courage” to get spending under control, while House Chairman Russell Pearce said easy fixes won't suffice because the next two annual budgets also are in trouble.

“We have a challenge ahead of us. I hope this body is up to that,” said Pearce, R-Mesa.

The two Republican lawmakers' approach stands in contrast to an \$870 million plan offered by Democratic Gov. Janet Napolitano, who has stressed a need to avoid cuts to education and programs for children and vulnerable adults.

She also wants to withdraw money from the rainy day reserve but would augment smaller spending cuts with \$370 million of borrowing to free up cash now appropriated for school construction.

If the state runs out of money, it'd have to offer promissory notes, Martin said.

Promissory notes are the equivalent of IOUs.

Martin said he has begun restructuring rainy day reserve fund investments so that its money would be available for spending this spring.

Burns asked Martin to develop a precise timetable on when the treasury would empty. That information would help lawmakers and the public get a handle on the depth of the state's problems, he said.

"I don't feel there is a lot of angst of where we're at," Burns said.

If lawmakers don't want to make spending cuts, they should propose tax increases, he said later.

Sen. Amanda Aguirre, D-Yuma, later said the state shouldn't rush headlong into cutting spending on programs important for economic development, public safety and social services.

"It would be detrimental that we can decide to cut programs that we know that can generate (jobs), that we know would have a return on our investment 10 times more," Aguirre said.

Aguirre said she wants the Legislature to look more toward a bigger withdrawal from the rainy day reserve and the borrowing proposed by Napolitano.

The House and Senate committees meeting led to no immediate indication on when any votes might take place.

Questioned by Democratic Rep. Pete Rios of Hayden about the process that lawmakers would use to settle on a budget agreement, Burns and Pearce said they hoped the appropriations committees would do the bulk of the work.

However, they acknowledged that closed-door negotiations by legislative leaders and Napolitano might be needed to finish the job.

How soon that happens "depends on the amount of courage that this committee has and the amount of effort that this committee wants to make in terms of a recommendation to leadership," Burns said.

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